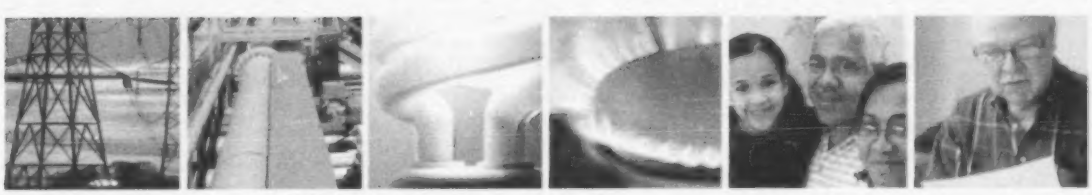
Ontario

Enabling Ontario's Energy Future

Ontario Energy Board
2015-2018 Business Plan



ENABLING ONTARIO'S ENERGY FUTURE

The Ontario Energy Board's 2015-18 Business Plan continues the strategic direction established over the last few years to ensure that regulation of the energy sector is focused on delivering value to consumers. The Plan contains a set of priority initiatives that acknowledge overall public policy direction and recognize and address the transformation that is occurring in the energy sector. The initiatives contained in this Plan are focussed on ensuring that regulated entities operate in a manner that serves the public interest as they deliver reliable and cost effective service to consumers. The Plan also provides for enhancing the OEB's ability to continue to effectively discharge our existing and emerging consumer protection and oversight responsibilities, while continuing to streamline regulatory process to ensure its efficiency and effectiveness.

In developing our 2015 - 2018 Business Plan, the OEB has been mindful of the pace of change enabled by significant technological advancements which are affecting how energy is produced, transported and consumed. These advancements will enable greater consumer autonomy. Very real changes will emerge in energy consumer expectations and the way in which they engage with the energy market and service providers. Consumers will be much more actively involved in energy choices than they are today.

Increased investment in the Ontario electricity sector has also resulted in the installation of thousands of megawatts of new renewable generation over the last few years, with a similar amount of new capacity expected to connect over the next few years. Substantial investment in transmission and distribution networks will be required to connect these projects and to maintain appropriate service levels and system reliability. This level of investment in generation, transmission and distribution, and a renewed emphasis on access to gas and electricity supply and services in underserved communities will lead to a sharper focus on the total cost to consumers.

Our Business Plan also acknowledges the emerging role of the OEB in protecting consumer interests more broadly as the energy sector continues to evolve, and the Minister looks to the OEB to provide advice and assistance in developing and implementing effective energy policy and programs to meet the public interest.

With a view to readiness for the future, the OEB's work over the next three years will focus on four broad objectives:

Empowering consumers;
Enhancing utility performance;
Enabling access to competitive energy choices; and
Enhancing regulatory effectiveness.

ONTARIO ENERGY BOARD MANDATE AND VISION

The OEB's Mandate

The Ontario Energy Board oversees the Province's electricity and natural gas sectors through effective, fair and transparent regulation and in accordance with the objectives set out in the governing statutory framework. That mandate is determined by the provincial government and is embodied in legislation, regulation and directives. The OEB's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.

The OEB has regulated natural gas sector since 1960 and electricity sector since 1999, and its work includes:

- Setting gas and electricity rates and prices
- Monitoring the financial and operating performance of natural gas and electrical utilities
- Providing consumers with the information they need to better understand energy matters
- Protecting energy consumers' interests
- Developing regulatory policy to meet emerging energy trends and challenges

The OEB's Vision

- The OEB regulates the electricity and natural gas sectors in a manner that focuses on outcomes that are valued by consumers.
- Energy consumers have the information they need to understand the value they receive for their expenditures on energy and to make choices regarding their own use of energy
- Under the OEB's regulatory framework, distributors, transmitters and other regulated entities invest and operate in a manner that increases efficiency and encourages innovation, and that provides consumers with a reliable energy supply at a reasonable cost.
- The OEB's own processes are efficient and effective and are understood by and accessible to all persons.

ENABLING ONTARIO'S ENERGY FUTURE

Empowering Consumers

Over the last several years, the OEB has adopted a much more consumer centric approach to regulation. This new approach is aimed at enhancing the level of energy literacy among consumers by equipping them with the tools and information they need to make informed choices about energy matters. The OEB will continue to engage directly with consumers in order to implement regulation that not only reflects the evolution of the energy sector and considers the broader public interest, but that also delivers outcomes that are meaningful to those who pay the bill.

The OEB has already taken significant steps to improve accessibility of our adjudicative processes to consumers, and to reach out to consumers in the development of regulatory policy that directly impacts them. We have improved our public notices to make them more accessible to consumers. We have required utilities to proactively consult with their customers in the development of applications to the OEB. And we have gathered consumer views through surveys, focus groups, and online tools. While these are important first steps, there is much more to be done to provide a meaningful voice to Ontario's energy consumers.

In this planning period, the OEB will look for opportunities to further enhance accessibility to the adjudicative process for the average residential and small business consumer. And we will continue our commitment to improving energy literacy by providing consumers with the tools and information they need to participate effectively in Ontario's energy markets.

Empowering Consumers			
Priority Actions	**2015**	**2016**	**2017**
Consumer Outreach Establish an effective community outreach and engagement framework supported by a new Public Affairs function to enhance the quality, quantity and accessibility of resources available to energy consumers.	✓	✓	

Empowering Consumers			
Priority Actions	**2015**	**2016**	**2017**
Consumer representation in decision making Initiate the second phase of the review of the framework governing participation of intervenors in OEB proceedings to consider options for enhancing the representation of consumer interests in OEB proceedings.	✓	✓	✓
Enhance accessibility to the adjudicative process for the average residential consumer by taking OEB hearings to the communities impacted by the application and providing enhanced opportunities to participate.	✓	✓	
Consumer Protection Develop a Consumer Charter/ Consumer Bill of Rights	✓	✓	
Consider approaches to enhancing the OEB's oversight capacity to better respond to and "advocate" for consumers.	✓	✓	
Energy Consumer Protection Act (Ministerial Request) Complete review of the Energy Consumer Protection Act and implement approved measures, as appropriate.	✓	✓	
Ontario Energy Support Program (Ministerial Request) Implement Ontario Energy Support Program (OESP) to provide ongoing rate relief for low income consumers. Conduct ongoing evaluation and maintenance of the program as required.	✓	✓	✓

Enhancing Utility Performance

One of the OEB's primary objectives is to ensure that utilities are delivering cost effective, reliable and responsive services to consumers. Creating an environment that enhances utility performance is essential to realizing that objective. The OEB's Renewed Regulatory Framework implemented over the past two years is about delivering value to customers through regulation that focuses on outcomes valued by consumers. We are creating an environment that elevates utility performance and holds utilities accountable for that performance to their customers through visible monitoring and quantifiable reporting.

The Conservation First policy calls on the OEB to integrate conservation into the planning frameworks of both gas and electric utilities as a means of containing the

need for future infrastructure. The Renewed Regulatory Framework for Electricity recognizes that infrastructure spending is the main driver of increasing costs in the energy sector, while being essential to long term reliability for consumers. In this planning period the OEB will continue with initiatives designed to enable utilities to undertake better planning, optimize investment decisions, and pace and prioritize expenditures to better manage impacts on consumers.

The LDC Consolidation Panel Report in 2012, the LTEP in 2013, and the Report of the Premier's Advisory Council on Government Assets earlier this year have underscored the importance of electricity distribution consolidation as a means of achieving greater efficiencies and benefits for consumers. The OEB has already taken action to remove perceived barriers to consolidation by modifying some of its existing rate setting policies. In this planning period, we will continue to review our policies and practices to facilitate the completion of transactions that can bring benefits to consumers and support the evolution of the energy sector, while maintaining appropriate protection for consumers.

The OEB will continue to enhance its capacity to protect consumer interests by further developing its data collection and analysis capability, enabling more robust audits and comprehensive benchmarking of utility performance and increased scrutiny of rate applications. In addition, the OEB will continue to evolve Performance Scorecards developed under the RRFE and existing performance standards to ensure targets continue to be appropriate and to incent continuous improvement.

Enhancing Utility Performance			
Priority Actions	**2015**	**2016**	**2017**
Electricity Sector Restructuring Undertake a review of the OEB's policies and practices to address any systemic barriers and enable organizational efficiencies and mergers and acquisitions that benefit customers.	✓	✓	✓
Develop guidance for regulated utilities on best practices in corporate governance to encourage governance which protects consumers and enhances consumer confidence in regulated entities.	✓	✓	
Optimal Investment Decisions Review rate setting policies in support of infrastructure planning and investment decisions with a view to improving incentives for optimal decision making.		✓	✓

Enhancing Utility Performance			
Priority Actions	**2015**	**2016**	**2017**
Gas Supply Planning Complete a review of gas supply planning by gas utilities and any other matters stemming from the 2015 Natural Gas Market Review, including review of the gas Quarterly Rate Adjustment Mechanism (QRAM) to ensure that utilities are meeting customer needs in an optimal manner.	✓	✓	
Performance Monitoring Framework Establish effective reporting frameworks and enhanced auditing mechanisms and capacity to undertake business analytics to enhance performance monitoring.	✓	✓	

Enabling Access to Competitive Energy Choices

The OEB recognizes the fundamental changes occurring within the energy sector enabled by new technologies, changing customer demands, and evolving public policy and the importance for the OEB to keep pace with and anticipate that evolution through effective and responsive regulatory policies. The OEB has already adopted policies that encourage utilities to focus on conservation and adoption of new technology to support customer choice.

While much of our recent focus has been on electricity, we also recognize transformative change occurring in Ontario's natural gas sector, enabled by new technologies unlocking new sources of supply and facilitating greater integration of gas and electric markets. The 2013 LTEP recognizes the importance of providing access to fuel choices and calls on the OEB to examine opportunities to facilitate access to natural gas in more remote communities. In addition, recently announced government policies to regulate carbon emissions are also expected to have a profound impact on natural gas utilities and will require a well thought out regulatory framework.

In this planning period, the OEB will continue to look to improve rate designs to facilitate customer choice by reviewing regulatory policies to ensure they support innovation and enable access to energy options.

Enabling Access to Competitive Energy Choices			
Priority Actions	**2015**	**2016**	**2017**
Smarter Electricity Delivery Rates Complete and implement changes in distribution rates for residential electricity customers to support the efficient use of electricity infrastructure, and formulate and assess options for changes to rate design for non-residential electricity customers.	✓	✓	✓
Smarter Electricity Prices Develop a revised methodology for the Regulated Price Plan and implement as approved. Include an assessment of options for a more efficient allocation of supply costs under the Global Adjustment to encourage conservation by providing understandable price signals to customers.	✓	✓	✓
Gas Demand-side Management Framework Evaluation Assess applications filed under the OEB's new framework and approve a plan for each natural gas distributor. Continue to evolve the framework through studies including achievable potential for natural gas savings in Ontario and the use of demand-side management to defer infrastructure investments. Evaluate the performance of the framework by June 1, 2018.	✓	✓	✓
Underserved Communities Formulate and assess policy options to enable access to gas and electricity supply and services in underserved communities.	✓	✓	
Cap and Trade Develop and implement the necessary regulatory framework to address rate making issues arising from the Cap and trade program	✓	✓	✓
Evolving Energy Sector Complete a review of the evolution of Ontario's energy services market, identify emerging trends and their implications for prices, services, infrastructure utilization, and regulated businesses in the Ontario. Address any regulatory barriers that limit ability of energy storage, and any other valued energy services, to compete in Ontario.	✓	✓	✓

Regulatory Effectiveness

Regulatory processes must be both efficient and effective in meeting the needs of utilities, be accessible to customers, and provide the OEB with the information that it needs to be effective in discharging its mandate. In designing our processes the OEB will ensure that they are fair, transparent and accessible, and that they provide for meaningful and informed decision making and policy development by the OEB.

In 2014, the OEB established a Registrar function providing greater consistency in procedural matters, ensuring effective notification to consumers on matters before the OEB, and enhancing the timely processing of applications. Building on this success, in this planning period, we will expand the role of the Registrar further reducing regulatory burden for applicants and improving accessibility for consumers.

The OEB recognizes that effective stakeholder engagement is essential to maintaining our knowledge and understanding of emerging trends, and to anticipate and prepare appropriate regulatory responses. In early 2015, the OEB evolved its approach to stakeholder engagement by establishing three new and ongoing stakeholder forums. We will continue to evolve and mature these forums in the next planning period, adding a Consumer Panel to provide an ongoing forum to dialogue with residential and small business consumers in the development of regulatory priorities.

In this planning period the OEB will introduce new opportunities to engage with the OEB in dialogue and review our adjudicative processes to identify opportunities to both ensure the customer is front and centre in the process, and to increase efficiency and effectiveness

Improving Regulation			
Priority Actions	**2015**	**2016**	**2017**
Stakeholder Engagement Framework Develop and implement formalized stakeholder engagement framework including annual executive energy forums, Chair's Advisory Roundtable and a Consumer Panel.	✓	✓	✓
Adjudicative Process Having successfully implemented a Registrar function in FY2014, the OEB will seek opportunities to further improve the efficiency and effectiveness of its adjudicative processes.	✓	✓	✓
Policy Evaluation Framework Refine the policy evaluation framework developed in 2011 to establish an ongoing function and implement systemic policy evaluation to ensure ongoing effectiveness of regulatory policies and programs .		✓	✓

Budget
(Section 26 and 12.1 only)

Units in thousand dollars	2015-16	2016-17	2017-18
Revenues:			
General cost recovery (expenses less revenue)	34,472	39,745	40,447
Licence fees (S.12.1)	367	367	367
Investment income	130	130	130
Miscellaneous income	10	10	10
Amortization of def. revenue related to cap. assets	864	1,007	1,052
Total Revenue	**35,843**	**41,259**	**42,006**
Expenses:			
Salaries & benefits	26,791	30,668	31,332
Consulting & professional	2,518	3,249	3,249
Meetings, training & travel	621	682	682
Publications, media & publishing	884	1,384	1,384
Premises	2,935	3,019	3,077
Information technology	837	857	837
Office, administration & other	393	393	393
Amortization	864	1,007	1,052
Total Expenses	**35,843**	**41,259**	**42,006**
Leasehold improvements	262	13	13
Office furniture and equipment	213	12	12
Computer equipment and software	827	705	500
Total Capital Expenditures	**1,302**	**730**	**525**
Total Expenses & Capital Expenditures	**37,145**	**41,989**	**42,531**
Operating Reserve Adjustment	**346**	**(509)**	**(973)**
Total Assessment	**36,120**	**39,966**	**39,999**